CLINTON TOWNSHIP HOUSING COMMISSION CLINTON TOWNSHIP, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Michigan Department of Treasury 496 (02/06)

Street Address

1107 E. EIGHTH STREET

Au Issue	ditir d unde	ng F er P.A.	700edl 2 of 1968, as	J res Re s amended ar	port nd P.A. 71 of 1919	, as amended.			
			vernment Typ				Local Unit Na	me	County
	Coun		City	□Twp	□Village		CLINTON	TOWNSHIP HOUSING COMMISI	MACOMB
			Opinion Date		0.0	Date Audit Report Submitted to State			
MARCH 31, 2006 NOVEMB			NOVEMBI	=R 29, 200		DECEMBER 24, 2006			
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					s licensed to p		-		
	agen				erial, "no" resp ments and rec			osed in the financial statements, includir	ig the notes, or in the
	YES	8						r further detail.)	
1.	X				nent units/fund es to the finand			unit are included in the financial statemessary.	ents and/or disclosed in the
2.	×							unit's unreserved fund balances/unrestr budget for expenditures.	icted net assets
3.	×		The loca	l unit is in e	compliance wit	th the Unifo	rm Chart of	Accounts issued by the Department of I	reasury.
4.	×		The loca	l unit has a	dopted a bud	get for all re	equired funds	s .	
5.	×		A public	hearing on	the budget wa	as held in a	ccordance v	vith State statute.	
6.	×				ot violated the ssued by the L			, an order issued under the Emergency Division.	Municipal Loan Act, or
7.	×		The loca	l unit has r	ot been delind	uent in dis	tributing tax	revenues that were collected for anothe	r taxing unit.
8.	×		The loca	The local unit only holds deposits/investments that comply with statutory requirements.					
9.	×		The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).						
10.	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.					ng the course of our audit here is such activity that has			
11.	×		The local	I unit is fre	e of repeated of	comments t	from previou	s years.	
12.	×		The audi	t opinion is	UNQUALIFIE	D.			
13.	×				omplied with (g principles (G		GASB 34 a	s modified by MCGAA Statement #7 an	d other generally
14.	×		☐ The board or council approves all invoices prior to payment as required by charter or statute.						
15.	×		To our kr	nowledge,	bank reconcilia	ations that	were reviewe	ed were performed timely.	
incl des	uded cripti	in ton(s)	his or any) o <mark>f the</mark> aut	other aud thority and	lit report, nor /or commissio	do they ot n.	otain a stand	operating within the boundaries of the d-alone audit, please enclose the nam	audited entity and is not e(s), address(es), and a
								in all respects.	
We have enclosed the following:			<u>]:</u>	Enclosed	Not Requir	ed (enter a brief justification)	_		
Financial Statements									
The letter of Comments and Recommendations				mmendations	\boxtimes				
Oth	er (D	escrib	e)			\boxtimes	REPORT	ON COMPLIANCE AND INTERNAL CO	ONTROL
l	Certified Public Accountant (Firm Name)					_		Telephone Number	
BARRY E. GAUDETTE, CPA, PC				, PC			231-946-8930		

City

BARRY E. GAUDETTE, CPA

Printed Name

TRAVERSE CITY

State

ΜI

License Number

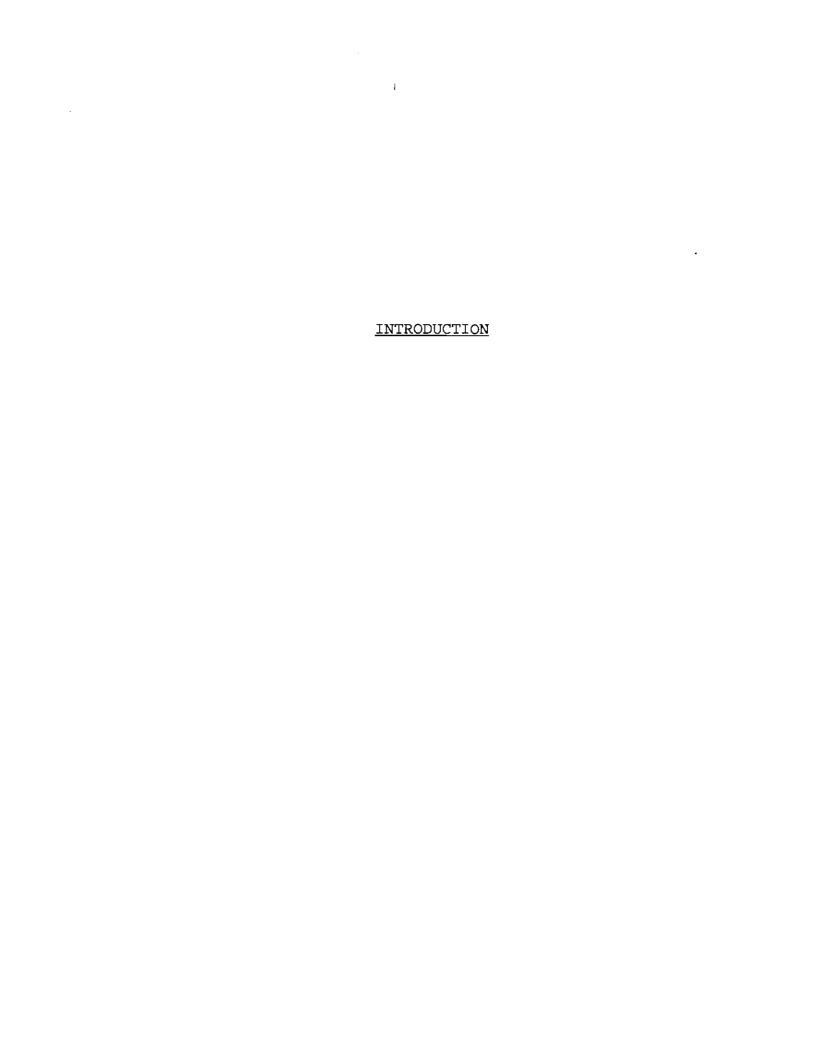
11050

Zip

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Barry E. Gaudette, CPA, P.C.

1107 East Eighth Street Traverse City, Michigan 49686 (231) 946-8930 Fax (231) 946-1377

Independent Auditor's Report

Board of Commissioners Clinton Township Housing Commission Clinton Township, Michigan

I have audited the accompanying financial statements of the business-type activities of Clinton Township Housing Commission, Michigan, a component unit of Clinton Township, as of and for the year ended March 31, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Clinton Township Housing Commission, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Clinton Township Housing Commission Independent Auditor's Report Page Two

In accordance with Government Auditing Standards, I have also issued my report dated November 29, 2006, on my consideration of Clinton Township Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 7, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Clinton Township Housing Commission, Michigan's basic financial statements. accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Clinton Township Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 29, 2006

Sary E Tandell, CPA, PC

Clinton Township Housing Commission 34947 Village Road Clinton Township, MI 48035

Alice Shell, Executive Director Gerald Burnosky, Board Chairman

As management of the Clinton Township Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Clinton Township Housing Commission's financial activities for the FYE 3/31/06. This discussion and analysis letter of the Clinton Township Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

Overview of the Financial Statements

This annual report contains this Management & Discussion Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. This report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources(assets) and obligations of the Commission creditors(liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Clinton Township Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

<u>Capital Fund Program</u>: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

<u>Section 8 Housing Choice Voucher Program</u>: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a

participant's income.

Entity-Wide Financial Highlights:

The following Federal Assistance was received during FYE 3/31/06:

	<u>FYE</u>	<u>FYE</u>	<u>Dollar</u>	<u>Per Cent</u>
	03/31/06	03/31/05	<u>Chanqe</u>	<u>Change</u>
Public Housing Operating: Subsidy Capital Fund Program Grants Sec. 8 Voucher Subsidy Total	246,646 143,931 159,943 550,520	251,616 179,250 162,215 593,081		-1.98% -19.70% <u>-1.40</u> % <u>-7.18</u> %

The subsidy for Public Housing decreased due to the HUD pro-ration factor. If subsidy had been paid in both years at full eligibility, we would have received more subsidy in FYE 3/31/06 than in FYE 3/31/05. However, FFY 2004 subsidy was paid at 98.1% of full eligibility while FFY 2005 subsidy was paid at only 88.8% of full eligibility. The proration factor cost the Housing Commission \$4,873 in FYE 3/31/05 while the cost for FYE 3/31/06 was \$33,111.

The decrease in Capital Fund Grants was due to the fact work projects during FYE 3/31/06 proceeded along at a slower pace than in FYE 3/31/05.

The subsidy for Sec. 8 Voucher remained stable.

The following represents changes in the Balance Sheet:

	<u>FYE</u> 03/31/06	<u>FYE</u> 03/31/05	<u>Dollar</u> Change	Per Cent Change
Cash & Investments Total Current Assets,	181,900	185,041	(3,141)	-1.70%
<pre>net of inter-program (due from) Fixed Assets, Net of</pre>	291,305	287,970	3,335	1.16%
Depreciation Total Liabilities, net of inter-program	1,468,081	1,622,546	(154,465)	-9.52%
(due to) Total Equity/Net Assets	117,415 1,641,971	119,061 1,791,455	(1,646) (149,484)	-1.38% -8.34%

Cash and investments stayed relatively stable, decreasing by just 1.7%.

Total Current Assets also stayed relatively stable, increasing by just 1.16%.

Fixed Assets increased by \$22,226; this increase represents two capital projects funded through the Capital Fund Program (see details below). Although Fixed Assets increased by \$22,226, this was more than offset by depreciation charges of \$175,010 plus the write off of two items of stolen equipment, resulting in an overall decrease.

Total Liabilities remained stable, decreasing by just 1.38%.

Total Net Assets is comprised of two components: Invested in Capital Assets, which mirrors the decrease in Fixed Assets, Net of Depreciation as explained above. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure increased due to the Operating Income generated by the Public Housing Program for FYE 3/31/06.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FYE</u> 3/31/06	<u>FYE</u> 3/31/05	Dollar Cent Change Change
Revenues:			
Tenant Revenue Other Revenue Total PHA generated revenue Operating/Soft Cost Subsidies Capital Grants(Hard costs) Total Revenue	·-	3,602	37,838) 22.1% (3,665)-101.7% 34,173 19.5% 48,081 10.0% (90,642) -80.3% (8,388) -1.1%
Expenses:			
Administrative Tenant Services Utilities Maintenance Protective Services General Casualty Losses Housing Assistance Payments Depreciation Total Expenses	174,830 115,402 140,880 77,809 71,207 151,604 175,010 906,742	175,110 300 105,377 161,568 66,382 61,378 463 149,356 168,621 888,555	(280) -0.2% (300)-100.0% 10,025 9.5% (20,688) -12.8% 11,427 17.2% 9,829 16.0% (463)-100.0% 2,248 1.5% 6,389 3.8% 18,187 2.0%
Net Increase (Decrease)	(147,039)	(120,464)	

Revenues:

Clinton Township Housing Commission's primary revenue sources are subsidies and grants received by HUD. Revenue received from HUD in FYE 3/31/06 for Public Housing and for Sec. 8 decreased from FYE 3/31/05 to FYE 3/31/06. For FYE 3/31/06, revenue generated by the Commission accounted for \$209,183 (or 28% of total revenue), while HUD contributions accounted for \$550,520 (or 72% of total revenue). Investment Income decreased due to the fact that no excess cash was invested during FYE 3/31/06.

Expenses:

Total Expenses for FYE 3/31/05 were \$888,555 while for FYE 3/31/06 the total was \$906,742. This represents just a 2% increase in our Operating Costs, an amount that can be substantially attributed to inflation. The cost area that increased the most was Protective Services (Police). However, that program has been suspended since 3/31/06 due to the lack of funding. We also experienced a 10% increase in Utility costs due to rising rates.

Budget Analysis:

A Low Rent Public Housing Operating Budget for fye 3/31/06 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

Entity-Wide Operational Highlights:

The Clinton Township Housing Commission provided the following housing for low-income elderly and low-income families:

	FYE 3/31/06	FYE 3/31/05
Low Rent Public Housing	100	100
Sec. 8 Housing Choice Voucher	23	23

During FYE 3/31/06, Clinton Township Housing Commission maintained a lease-up rate of 93.7% in its Public Housing Program and a lease-up rate of 92.0% in its Section 8 program. These lease-up rates are under the HUD-prescribed target of 97%. We are working to increase our lease-up rates.

During FYE 3/31/06, our Capital Fund Program work projects included:

- * Purchase of Appliances
- * Office upgrades

There are no significant commitments made for capital expenditure that may affect the financing of planned facilities or services.

Economic Factors and Next Year's Budget and Rates

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

> Gerald Burnosky, Board Chairman Clinton Township Housing Commission 34947 Village Road Clinton Township, MI 48035



CLINTON TOWNSHIP HOUSING COMMISSION STATEMENT OF NET ASSETS

March 31, 2006

ASSETS

Current Assets:	
Cash	\$ 181,900
Accounts receivable-HUD	68,110
Accounts receivable-tenants	5,562
Allowance for doubtful accounts	(4,405)
Prepaid expenses	40,138
Total Current Assets	291,305
Property and Equipment:	
Land	48,000
Buildings	1,440,255
Equipment	119,026
Building improvements	<u>1,972,477</u>
Legg: aggumulated depressibles	3,579,758
Less: accumulated depreciation	<u>(2,111,677</u>)
Net Property and Equipment	1,468,081
Total Assets	<u>\$ 1,759,386</u>

CLINTON TOWNSHIP HOUSING COMMISSION STATEMENT OF NET ASSETS (CONTINUED) March 31, 2006

LIABILITIES and NET ASSETS

Current Liabilities: Accounts payable Tenant security deposit liability Accrued expenses Deferred revenues Accrued liabilities-other	\$ 20,444 18,771 53,444 2,898 5,940
Total Current Liabilities	101,497
Noncurrent liabilities: Accrued compensated absences	15,918
Total Liabilities	117,415
Net Assets: Invested in capital assets Unrestricted net assets	1,468,081 173,890
Total Net Assets	1,641,971
Total Liabilities and Net Assets	<u>\$ 1,759,386</u>

CLINTON TOWNSHIP HOUSING COMMISSION STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

OPERATING REVENUES: Dwelling rent	\$ 193,973
Nondwelling rent	\$ 193,973 15,273
Total operating revenues	209,246
OPERATING EXPENSES:	
Administration Utilities	174,830 115,402
Ordinary maintenance and operation	140,880
Protective services	77,809
General expenses Housing assistance payments	71,207
Depreciation	151,604 175,010
Total operating expenses	906,742
Operating income(loss)	<u>(697,496</u>)
NONOPERATING REVENUES:	
Loss on sale of fixed assets	(1,679)
Investment interest income	148
Other income Capital grants	1,468
Operating grants	22,226 528,294
	<u> </u>
Total nonoperating revenues	<u> </u>
Change in net assets	(147,039)
Prior period adjustments, equity transfers and correction of errors	(2,445)
Net assets, beginning	1,791,455
Net assets, ending	<u>\$ 1,641,971</u>

CLINTON TOWNSHIP HOUSING COMMISSION STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from dwelling and nondwelling	
rents	\$ 208,738
Cash payments to other suppliers of goods	
and services	(511,074)
Cash payments to employees for services	(217,382)
Cash payments for in lieu of taxes	<u>(5,408</u>)
Net cash (used) by operating activities	_(525,126)
(and (and any of orange doctored)	<u> </u>
CASH FLOWS FROM NONCAPITAL	
FINANCING ACTIVITIES:	
Tenant security deposits	69
Operating grants	520,298
Other revenue	1,468
	1,400
Net cash provided by noncapital	
financing activities	<u>521,835</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
ACTIVITIES:	
Loss on sale of fixed assets	(1,679)
Capital grants	22,226
Payments for capital acquisitions	_(20,545)
	<u>_ </u>
Net cash provided by capital and related	
financing activities	2
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipts of interest and dividends	148
Net cash provided by investing	
activities	148
Net increase(decrease) in cash	/ 2 141\
into into and (decrease, in easi)	(3,141)
Cook haringing	
Cash, beginning	<u> 185,041</u>
Cash, ending	<u>\$ 181,900</u>

CLINTON TOWNSHIP HOUSING COMMISSION STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended March 31, 2006

RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:

Cash Restricted cash	\$	181,900
Cash and cash equivalents per balance sheet	\$	181,900
SCHEDULE RECONCILING OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income(loss) Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	\$(697,496)
Depreciation Bad debt allowance Changes in assets and liabilities: (Increase) decrease in assets:		175,010 322
Accounts receivable-tenants Prepaid expenses Increase (decrease) in liabilities:	(409) 838)
Accounts payable Accrued wage/payroll taxes payable Accrued compensated absences Accounts payable-PILOT Accrued liabilities-other Deferred revenues	(1,424 389) 2,965) 941 627) 99)
Net cash (used) by operating activities	<u>\$ (</u>	<u>525,126</u>)

CLINTON TOWNSHIP HOUSING COMMISSION NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clinton Township Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

Clinton Township Housing Commission is a component unit of Clinton Township. The Housing Commission is a Public Housing Agency created by Clinton Township on October 9, 1968, consisting of a five member board appointed by the Township Supervisor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of Clinton Township Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3031, the Housing Commission constructed, maintains and operates 100 units of subsidized housing in Clinton Township, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 23 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Financial Statements

The Housing Commission only has business-type activities, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, Clinton Township Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Inventory

Inventory is priced using the average cost method.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Building improvements	15 years
Equipment - portable	3 - 7 years
Furnishings	-
	7 years
Office equipment	7 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

<u>Vacation</u> and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave: An employee shall be entitled to payment for vacation and holidays not previously used or paid. Employees shall be encouraged to take their vacation annually and any vacation days accrued in excess of thirty(30) days in number at the beginning of each calendar year shall be forfeited.
- * Sick leave: Unpaid termination after five years employment, non-union employees shall be paid the following:

50% of unused sick days;

Longevity earned from January 1, of the year of termination.

* Accumulation of benefit days shall cease on the last day of employment. Unused personal days, birthday, and reimbursement for educational expenses shall be forfeited. Termination pay and benefits for union employees will be in accordance with the collective bargaining agreement of their unit.

The amount of accumulated benefits at March 31, 2006, was \$17,686, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan Township, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$181,700 and the bank balance was \$182,130 of which \$182,130 was covered by federal depository insurance. The Housing Commission has \$200 in petty cash on hand.

<u>Investments</u>

The Housing Commission did not have any investments as of March 31, 2006.

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fail value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depositary of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

1.	U.S. Treasury Notes	_	100%; or
2.	U.S. Treasury Notes and/or Bonds	-	75% and
3.	Mortgage Backed Securities	_	25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the combined statement of net assets follows:

Cash on hand Carrying amount of deposits Investments	\$ 200 181,700 ————
Total	<u>\$ 181,900</u>
Cash and cash equivalents: Enterprise activities Enterprise activities - checks written in excess of deposits	\$ 182,330 (430)
Total	<u>\$ 181,900</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2006, the receivables were \$5,562 with \$4,405 estimated as uncollectible. Bad debt expense was \$16,019.

Accounts Receivables/Payables - HUD

Amounts due from HUD represents the amounts not advanced yet for actual expenses of the programs financed. Balances at March 31, 2006 were as follows:

Low Rent Program Capital Fund Program	\$ —	24,214 43,896
	<u>\$</u>	68,110

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

Fund	Interfund <u>Receivable</u>	Fund	Interfund <u>Payable</u>
Low Rent Program	\$ 77,491	Capital Fund Program Housing Choice Voucher	\$ 43,896
		Program	<u>\$ 33,595</u>
	<u>\$ 77,491</u>		<u>\$ 77,491</u>

The capital fund program transferred \$43,896 to the Low Rent Program during the fiscal year ended March 31, 2006.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

TOTIOWS.	Balance 03/31/05		Retirements, Transfers	
Low Rent Program Land Buildings Furniture, equip. & machinery -	\$ 48,000 1,440,255	\$	\$	\$ 48,000 1,440,255
dwellings Furniture, equip. & machinery -	22,885			22,885
administration Building	84,810		4,186	80,624
improvements	1,852,901	91,850		<u>1,944,751</u>
Less accumulated	3,448,851	\$ 91,850	\$(4,186)	3,536,515
depreciation	(1,938,546)	<u>\$(172,897</u>)	\$ 1,996	(2,109,447)
Total	<u>\$1,510,305</u>			\$1,427,068
Capital Fund Progra Furniture, equip. & machinery -	am			
dwellings Building	\$	\$ 15,517	\$	\$ 15,517
improvements	112,868	6,199	91,341	27,726
Less accumulated	112,868	<u>\$ 21,716</u>	<u>\$(91,341</u>)	43,243
depreciation	_(627)	<u>\$(2,113</u>)	<u>\$ 510</u>	(2,230)
Total	<u>\$ 112,241</u>			\$ <u>41,013</u>
Combined Totals				<u>\$1,468,081</u>

NOTE 5: CONTRIBUTED CAPITAL

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended March 31, 2006, consist of the following:

Invested in Capital Assets

\$ 1,622,546

Balance, beginning
Investment in fixed assets, net of
depreciation paid for from operations
net of depreciation, not included in
contributed capital

(154,465)

Balance, ending

\$ 1,468,081

These reclassifications are investments in fixed assets, net of depreciation paid for from operations, not included in contributed capital.

NOTE 6: OTHER INFORMATION

A. Pension Plan

Clinton Township Housing Commission participates in Clinton Townships' pension plan, the Municipal Employees' Retirement System, (MERS). MERS is a Defined Benefit Program which operates within the Michigan Department of Management and Budget, Bureau of Retirement Systems. The pension covers all eligible full-time employees and requires a minimum contribution by the employee. At December 31, 2004, the date of the last available actuarial evaluation, the Township's (the Housing Commission is included) termination liability for retirement benefits is \$32,660,062 (employer and employee combined). Valuation assets available to meet this obligation were \$34,262,159. The Housing Commission and employees contributed \$9,514 during the calendar year 2004. The Township (the Housing Commission is included) has thirteen (13) active members, no vested former members, and one(1) retiree and beneficiary. There is an overfunded balance of \$3,379,213 as of December 31, 2004. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the

additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Prior Period Adjustments, Equity Transfers and Correction of Errors

Transfer closed CFP equity to LRPH	\$ 91,341
Capital Fund Program	
Transfer closed CFP equity to LRPH	<u>\$(91,341</u>)
Housing Choice Voucher Program	
Write off HUD A/R from fye 3/31/05	\$(2,445)

NOTE 7: SEGMENT INFORMATION

Low Rent Program

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2006, was as follows:

	Low Rent	Capital Fund	Housing Choice
	Program	Program	Vouchers
Condensed Statement of net Assets			
Current assets	\$ 290,880		\$ 34,020
Property and equipment	1,427,068		
Total assets	<u>\$ 1,717,948</u>		
Current liabilities	\$ 101,097	\$ 43,896	\$ 33,995
Noncurrent liabilities	<u>15,918</u>		
Total liabilities	<u>117,015</u>	43,896	33,995
Net assets:			
Invested in capital assets	1,427,068	41,013	
Unrestricted net assets	<u>173,865</u>		25
Total net assets	1,600,933	41,013	25
Total liabilities and			
net assets	<u>\$ 1,717,948</u>	<u>\$ 84,909</u>	\$ 34,020

	Low Proc	Rent gram	Capital Fund Program	(ousing Choice ouchers
Condensed Statement of Activities					
Dwelling and					
nondwelling rents	\$ 20	9,246	\$	\$	
Depreciation	(17	2,897)	(2,113)		
Other operating					
expenses	<u>(49</u>	<u>(4,119</u>)	<u>(77,809</u>))(<u>159,804</u>)
Operating(loss)	(45	7,770)	(79,922)) (159,804)
Nonoperating revenues:					
Loss on sale of fixed assets	,	1 (70)			
Investment earnings	(1,679)			140
Other income		1,468			148
Operating transfers in(out)) 4	3,896	(43,896))	
Operating grants		6,646	121,705		159,943
Capital grants			22,226		
Change in net assets		7,439)	20,113		287
Prior period adjustments		1,341	(91,341)	(2,445)
Beginning net assets		7,031	112,241		<u>2,183</u>
Ending net assets	\$ 1,60	0,933	\$ 41,013	<u>\$</u>	25
Condensed Statement of Cash Flows					
Net cash provided					
(used) by:					
Operating activities	\$(28	7.513)	\$(77,809)	51	159 804)
Noncapital financing	7 \	,,515,	4 (, , , 003)	Υ (133,004)
activities	27	5,883	77,809		168,143
Capital and related		•	,		
financing activities		2			
Investing activities					148
Net increase (decrease)	(1	1,628)			8,487
Beginning cash and	a -	0 500			
cash equivalents Ending cash and cash	15	<u>9,508</u>			<u>25,533</u>
equivalents	<u>\$ 14</u>	<u>7,880</u>	\$	\$	34,020

•	
-18	SUPPLEMENTARY INFORMATION

CLINTON TOWNSHIP HOUSING COMMISSION COMBINING STATEMENT OF NET ASSETS March 31, 2006

	C-3031 Low Rent Program 14.850	Capital Fund Program 14.872
ASSETS		
Current assets: Cash Accounts receivable-HUD Accounts receivable-tenants Allowance for doubtful accounts Prepaid expenses Due from other programs	\$ 147,880 24,214 5,562 (4,405) 40,138 77,491	\$ 43,896
Total current assets	290,880	43,896
Property and equipment: Land Buildings Equipment Building improvements	48,000 1,440,255 103,509 1,944,751 3,536,515	15,517 27,726
Less accumulated depreciation	(2,109,447)	43,243 <u>(2,230</u>)
Net property and equipment	1,427,068	41,013
Total Assets	<u>\$1,717,948</u>	<u>\$ 84,909</u>

Vo	Housing Choice Duchers 14.871	 <u> Totals</u>
\$	34,020	\$ 181,900 68,110 5,562 4,405) 40,138 77,491
	34,020	368,796
		 48,000 1,440,255 119,026 1,972,477 3,579,758 2,111,677)
<u>\$</u>	34,020	\$ L,836,877

CLINTON TOWNSHIP HOUSING COMMISSION COMBINING STATEMENT OF NET ASSETS (CONTINUED) March 31, 2006

	C-3031 Low Rent Program 14.850	Capital Fund Program 14.872
LIABILITIES and NET ASSETS		
Current liabilities: Accounts payable Tenant security deposit liability Accrued expenses Deferred revenues Accrued liabilities-other Due to other programs	\$ 20,044 18,771 53,444 2,898 5,940	\$
Total current liabilities	101,097	43,896
Noncurrent liabilities: Accrued compensated absences Total liabilities	15,918 117,015	
Net Assets: Invested in capital assets Unrestricted net assets	1,427,068 173,865	41,013
Total net assets	1,600,933	41,013
Total Liabilities and Net Assets	<u>\$1,717,948</u>	<u>\$ 84,909</u>

Housing Choice Vouchers 14.871			<u>Totals</u>
\$	400	\$	20,444 18,771 53,444 2,898 5,940
3	<u>3,595</u>		77 <u>,491</u>
3	3,995		178,988
			1 <u>5,918</u>
3	<u>3,995</u>		194,906
	<u>25</u>		1,468,081 173,890
	<u>25</u>		1,641,971
<u>\$</u> 3	4,020	<u>\$</u> :	1,836,877

CLINTON TOWNSHIP HOUSING COMMISSION COMBINING STATEMENT OF ACTIVITIES Year Ended March 31, 2006

	C-3031 Low Rent Program 14.850	Capital Fund Program 14.872
OPERATING REVENUES:		
Dwelling rent	\$ 193,973	\$
Nondwelling rent	<u> 15,273</u>	
Total operating revenues	209,246	
OPERATING EXPENSES:		
Administration	166,630	
Utilities	115,402	
Ordinary maintenance and operation	140,880	
Protective services	110,000	77,809
General expenses	71,207	11,005
Housing assistance payments	71,207	
Depreciation	<u>172,897</u>	2,113
•		<u> </u>
Total operating expenses	<u>667,016</u>	79,922
- 3 1		10,022
Operating income(loss)	(457.770)	<u>(79,922</u>)
		<u>, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</u>
NONOPERATING REVENUES:		
Operating transfer in(out)	43,896	(43,896)
Loss on sale of fixed assets	(1,679)	(10,000)
Investment interest income	(-/-/-/	
Other income	1,468	
Capital grants	1,100	22,226
Operating grants	246,646	121,705
Total nonoperating revenues	290,331	<u>100,035</u>
Change in net assets	(167,439)	20,113
		·
Prior period adjustments, equity		
transfers and correction of errors	91,341	(91,341)
Not species banks		
Net assets, beginning	<u>1,677,031</u>	112,241
Net acceta onding		
Net assets, ending	<u>\$1,600,933</u>	\$ 41,013

Housing Choice Vouchers 14.871	Totals
\$	\$ 193,973 15,273
	209,246
8,200	174,830 115,402 140,880 77,809
151,604	71,207 151,604 175,010
<u> 159,804</u>	906,742
<u>(159,804</u>)	(697,496)
148	(1,679) 148 1,468 22,226
<u> 159,943</u>	<u>528,294</u>
<u> 160,091</u>	<u>550,457</u>
287	(147,039)
(2,445)	(2,445)
2,183	<u>1,791,455</u>
\$ <u>25</u>	<u>\$ 1,641,971</u>

CLINTON TOWNSHIP HOUSING COMMISSION COMBINING STATEMENT OF CASH FLOWS Year Ended March 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	C-3031 Low Rent Program 14.850	Capital Fund Program 14.872
Cash received from dwelling and nondwelling rents Cash payments to other suppliers of goods and services Cash payments to employees for services Cash payments for in lieu of taxes Net cash (used) by	\$ 208,738 (280,661) (210,182) (5,408)	\$ (77,809)
operating activities	_(287,513)	<u>(77,809</u>)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: Tenant security deposits Operating transfers in(out) Due from/to other funds Operating grants Other revenue	69 43,896 (24,698) 255,148 1,468	(43,896) 16,498 105,207
Net cash provided by noncapital financing activities	<u>275,883</u>	<u>77,809</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: Loss from sale of fixed assets Capital grants Payments for capital acquisitions Net cash provided by capital and related financing activities	(1,679) 1,681 2	22,226 _(22,226)
CASH FLOWS FROM INVESTING ACTIVITIES: Receipts of interest and dividends		<u> </u>
Net cash provided by investing activities		
Net increase(decrease) in cash	(11,628)	
Cash, beginning	159,508	
Cash, ending	\$ 147,880	\$

Housing Choice Vouchers 14.871	T	otals
\$	\$	208,738
(152,604) (7,200)	(511,074) 217,382) 5,408)
(159,804)	_(<u>525,126</u>)
		69
8,200 159,943 ————		520,298 1,468
168,143		521,835
	(1,679) 22,226 20,545)
		2
148		148
148		148
8,487	(3,141)
25,533		185,041
\$ 34,020	\$	181,900

CLINTON TOWNSHIP HOUSING COMMISSION COMBINING STATEMENT OF CASH FLOWS (CONTINUED) Year Ended March 31, 2006

	L	C-3031 ow Rent Program 14.850	Pı	apital Fund cogram 14.872
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEET:				
Cash Restricted cash	\$	147,880	\$	
Cash and cash equivalents per balance sheet	<u>\$</u>	147,880	<u>\$</u>	
SCHEDULE RECONCILING OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:				
Operating income(loss) Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	\$(457,770)	\$(79,922)
Depreciation Bad debt allowance Changes in assets and liabilities: (Increase) decrease in assets:		172,897 322		2,113
Accounts receivable-tenants Prepaid expenses Increase (decrease) in liabilities	((:	409) 838)		
Accounts payable Accrued wage/payroll taxes payable Accrued compensated absences Accounts payable-PILOT	(1,424 389) 2,965) 941		
Accrued liabilities-other Deferred revenues Net cash (used) by operating activities	<u>\$(</u>	627) 99) 287 <u>,</u> 513)	<u>\$ (</u>	77,809)

```
Housing
   Choice
  Vouchers
   14.871
                     Totals
$
       34,020
                  $
                        181,900
                       181,900
       34,020
                  $
$(
     159,804)
                   $(697,496)
                        175,010
                             322
                            409)
                             838)
                          1,424
                             389)
                          2,965)
                             941
                             627)
                             <u>99</u>)
<u>$( 159,804</u>)
                       <u>525,126</u>)
                 <u>$ (</u>
```

CLINTON TOWNSHIP HOUSING COMMISSION SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Year Ended March 31, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	U.S. Department of HUD		
	Public and Indian Housing Major - Direct Program		
2006	Low Rent Public Housing	14.850	\$ 246,646
	Public and Indian Housing <u>Major - Direct Program</u>		
2006	Capital Fund Program	14.872	143,931
	Low Income Public Housing Nonmajor - Direct Program		
2006	Housing Choice Vouchers	14.871	159,943
	Total		<u>\$ 550,520</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

CLINTON TOWNSHIP HOUSING COMMISSION FINANCIAL DATA SCHEDULE

Year Ended March 31, 2006

FDS Line		C-3031 Low Rent Program	Capital Fund Program
Item No	Assets	14.850	14.872
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 147,880	\$
111	cabii anicbeliecea	Q 1177000	7
100	Total cash	147,880	
	Receivables:		
122	A/R-HUD other projects	24,214	43,896
126	A/R-tenants-dwelling rents	5,562	43,030
126.1	Allowance for doubtful accounts	<u>(4,405</u>)	
120.1	Allowance for doubtful decounts	1,405	
120	Total receivables, net of allowance for doubtful accounts	25,371	43,896
	accounted		<u> 43,030</u>
	Other Current Assets:		
142	Prepaid expenses and other		
	assets	40,138	
144	Interprogram due from	77,491	
1 1 1	incorprogram add from	<u> </u>	
	Total other current assets	117,629	
1 50	Total current assets	290,880	<u>43,896</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	48,000	
162	Buildings	1,440,255	
163	Furn, equip & mach-dwellings	22,885	15,517
164	Furn, equip & mach-admin.	80,624	
165	Building improvements	1,944,751	27,726
166	Accumulated depreciation	<u>(2,109,447</u>)	<u>(2,230</u>)
160	Total fixed assets, net of		
100	accumulated depreciation	1,427,068	41,013
	arramation doproordation		
180	Total noncurrent assets	1,427,068	<u>41,013</u>
190	Total Assets	<u>\$ 1,717,948</u>	\$ 84,909

Housing Choice Vouchers 14.871	<u>Totals</u>
\$ 34,020	\$ 181,900
34,020	181,900
	68,110 5,562 <u>(4,405</u>)
	69,267
	40,138 77,491
	117,629
34,020	<u>368,796</u>
	48,000 1,440,255 38,402 80,624 1,972,477 (2,111,677)
	1,468,081
	1,468,081
<u>\$ 34,020</u>	<u>\$ 1,836,877</u>

CLINTON TOWNSHIP HOUSING COMMISSION FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No			C-3031 Low Rent Program 14.850	Pi	apital Fund rogram 14.872
	LIABILITIES and NET ASSETS				
	Liabilities:				
	Current Liabilities:				
312	Accounts payable<=90 days	\$	6,880	\$	
321	Accrued wage/payroll taxes	т.	-,	т	
	payable		51,676		
322	Accrued compensated absences-		,-,-		
	current portion		1,768		
333	Accounts payable-other government	-	13,164		
341	Tenant security deposits	-	18,771		
342	Deferred revenues		2,898		
345	Accrued liabilities-other		5,940		
347	Interprogram due to		3,510		43,896
				_	43,020
310	Total current liabilities		101,097		43,896
	Noncurrent Liabilities:				
354	···		15 010		
234	Accrued compensated absences		<u> 15,918</u>		
300	Total liabilities		117 015		43 005
300	Total Habilities	_	117,015		<u>43,896</u>
	Net Assets:				
508.1	Invested in capital assets		1 407 060		43 030
500.1	invesced in capital assets		1,427,068		<u>41,013</u>
508	Total invested in capital				
500	assets		1 407 060		41 010
	a bacca		1,427,068		41,013
512.1	Unrestricted net assets		172 065		
312,1	onrederioed net abbeen	_	<u>173,865</u>		
513	Total Net Assets		1,600,933		A1 012
	10041 1100 1100000	_	±,000,333		<u>41,013</u>
600	Total Liabilities and Net				
	Assets	Ś	1,717,948	Ċ	84,909
		7	<u>-, / + / , 3 4 0</u>	5	<u>∪±,</u> 3∪3

Housing Choice Vouchers 14.871	<u>Totals</u>
\$ 400	\$ 7,280
	51,676
22 505	1,768 13,164 18,771 2,898 5,940
<u>33,595</u>	77,491
33,995	178,988
	<u> </u>
<u>33,995</u>	194,906
	1,468,081
	1,468,081
<u>25</u>	<u> 173,890</u>
<u>25</u>	1,641,971
\$ 34,020	<u>\$ 1,836,877</u>

CLINTON TOWNSHIP HOUSING COMMISSION FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

FDS Line Item No. 703 704 705 706 706.1 711 715 716	Revenue: Net tenant rental revenue Tenant revenue-other Total tenant revenue HUD PHA grants Capital grants Investment income-unrestricted Other income Gain/loss on sale of fixed assets	C-3031 Low Rent Program 14.850 \$ 193,973	Capital Fund Program 14.872 \$ 121,705 22,226
700	Total revenue	<u>455,681</u>	<u>143,931</u>
911 912 914 915 916	Expenses: Administrative: Administrative salaries Auditing fees Compensated absences Employee benefit contributions-adm Other operating-administrative Utilities:	87,077 5,250 (2,966) n. 30,472 46,797	
931 932 933	Water Electricity Gas	49,715 32,747 32,940	
941 942 943 945 952	Ordinary maintenance and operation: Ordinary maint & oper-labor Ordinary maint & oper-mat'ls & oth Ordinary maint & oper-contract cos Employee benefit contributions Protective services-other contract costs	sts 27,180 22,987	77,809
961 963 964	General expenses: Insurance premiums Payments in lieu of taxes Bad debt-tenant rents	48,839 6,349 16,019	
969	Total operating expenses	494,119	77,809
970	Excess operating revenue over operating expenses	(38,438)	66,122

Housing Choice Vouchers 14.871		Totals
\$	\$	193,973 15,273
159,943		209,246 528,294 22,226
148	(148 1,468 <u>1,679</u>)
160,091		759,703
5,600		92,677 5,250
1,600 1,000	(2,966) 32,072 47,797
		49,715 32,747 32,940
		66,292 24,421 27,180 22,987
		77 , 809
		48,839 6,349 16,019
8,200		580, <u>128</u>
<u>151,891</u>		<u>179,575</u>

CLINTON TOWNSHIP HOUSING COMMISSION FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended March 31, 2006

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FDS Line Item No.		C-3031 Low Rent Program 14.850	Capital Fund Program 14.872
973	Expenses continued: Other expenses: Housing assistance payments		
974	Depreciation expense	<u>172,897</u>	<u>2,113</u>
	Total other expenses	172,897	2,113
900	Total expenses	667,016	79,922
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(211,335)	64,009
1001	Other Financing Sources(Uses) Operating transfers in (out)	43,896	<u>(43,896</u>)
1000	Excess (deficiency) of operating revenue over(under) expenses	(167,439)	20,113
1103	Beginning Net Assets	1,677,031	112,241
1104	Prior period adjustments, equity transfers and correction of errors	01 241	(01 241)
		<u>91,341</u>	<u>(91,341</u>)
	Ending Net Assets	<u>\$ 1,600,933</u>	\$ 41,013

Housing Choice Vouchers 14.871	Totals
151,604	151,604 175,010
<u> 151,604</u>	326,614
<u>159,804</u>	906,742
287	(147,039)
287 2,183	(147,039) 1,791,455
(2,445)	_(2,445)
\$ 25	\$ 1,641,971

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Report on Internal Control Over Financial Reporting Fox (231) 946-1377 and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Housing Commissioners Clinton Township Housing Commission Clinton Township, Michigan

I have audited the financial statements of the business-type activities of Clinton Township Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated November 29, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
Clinton Township Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated November 29, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

November 29, 2006

Bary & Tandits, CRO, PL

Barry E. Gaudette, CPA, P.C.

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Report on Compliance with Requirements Applicable To Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Housing Commissioners Clinton Township Housing Commission Clinton Township, Michigan

Compliance

I have audited the compliance of Clinton Township Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2006. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 Clinton Township Housing Commission Page Two

Compliance (continued)

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

November 29, 2006

Sary & Tandith, CAR PR

CLINTON TOWNSHIP HOUSING COMMISSION SCHEDULE OF FINDINGS AND QUESTIONED COSTS March 31, 2006

A. Summary of Audit Results

- 1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Commission.
- 2. No material weaknesses were identified during the audit of the financial statements.
- 3. No instances of noncompliance material to the financial statements of the Housing Commission were discovered during the audit.
- 4. No material weaknesses were identified during the audit of the major federal award programs.
- 5. The auditors' report on compliance for the major federal award programs for the Housing Commission expresses an unqualified opinion.
- 6. Audit findings that are required to be reported in accordance with Section 510(a) or OMB Circular A-133 are reported in this Schedule.
- 7. Identification of major programs:

CFDA <u>Number</u>	Federal Program	_]	Amount Expended		jor gram	Compliance Requirement	Questioned Costs	l Audit Finding
14.850	Low Rent Public							
	Housing	\$	246,64	5	Yes	0	N/A	N/A
14.872	Capital Fund							
	Program		143,93	1	Yes	0	N/A	N/A
14.871	Housing Choice							
	Vouchers	_	<u> 159,94</u>	<u>3</u>	No	0	N/A	N/A
	Total	<u>\$</u>	550,52	<u>)</u>				

- 8. The threshold for distinguishing Types A and B programs was \$300,000.
- 9. The Housing Commission was determined to be a low-risk auditee.

CLINTON TOWNSHIP HOUSING COMMISSION SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) March 31, 2006

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

CLINTON TOWNSHIP HOUSING COMMISSION SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS March 31, 2006

NONE

CLINTON TOWNSHIP HOUSING COMMISSION ADJUSTING JOURNAL ENTRIES MARCH 31, 2006

There were no adjusting journal entries.

Account Number	Account Name	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM:			

CLINTON TOWNSHIP HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2006

CLINTON TOWNSHIP HOUSING COMMISSION

CONTENTS MARCH 31, 2006

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Barry E. Gaudette, CPA, P.C.

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INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE AUDIT COMMITTEE/BOARD OF COMMISSIONERS

To the Board of Commissioners Clinton Township Housing Commission

I have audited the financial statements of the Clinton Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2006, and have issued my report, thereon, dated November 29, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE AUDIT COMMITTEE - CONTINUED

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing there were no audit adjusting journal entries necessary).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

November 29, 2006

Sang & Sandell, PR. P.C.

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INDEPENDENT AUDITORS' REPORT ON MANAGEMENT ADVISORY COMMENTS

To the Board of Commissioners Clinton Township Housing Commission

I have audited the financial statements of the Clinton Township Housing Commission ("Housing Commission") as of and for the year ended March 31, 2006, and have issued my report, thereon, dated November 29, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

November 29, 2006

Sary S Naudith, AR, M

CLINTON TOWNSHIP HOUSING COMMISSION MANAGEMENT ADVISORY COMMENTS

March 31, 2006

The Housing Commission has implemented internal controls in the disbursement area that appear to be satisfactory.

Also, it should be noted that I did not identify improper revenue recognition as a fraud risk for the following reasons:

- * The Housing Commission uses software for its Tenant Accounting recordkeeping.
- * The Housing Commission does not accept cash for the payment of rents.
- * There is segregation of duties between the collection of rents, the preparation of deposit tickets, and making of the deposit in the bank.
- * The Executive Director compares the deposit ticket and bank receipt to the batch reports and receipts.

Tenant Files

We selected at random six(6) Low Rent and two(2) Housing Choice Voucher tenant files to thoroughly test. The results are as follows:

Low Rent Program

All of the tenant files did not have an inspection report and there is no other evidence available of an inspection being done.

Two(2) of the tenant files did not have copy of an photo ID, one (1) did not have the privacy act notice, three(3) did not have proper verification of income and expenses, one(1) did not a copy of the social security card, one(1) did not have an annual review, two(2) did not have evidence or indication that a criminal background check was done, and one(1) did not have the declaration of citizenship form.

We recommend that the inspection report (UPCS form or a similar form be used) be done annually and be filed in the tenant files as required by HUD. There should also be quality control inspections done at random after the annual inspection is completed. We, also, recommend that care be taken to complete the files and that signatures and dates be on the applicable forms.

CLINTON TOWNSHIP HOUSING COMMISSION MANAGEMENT ADVISORY COMMENTS

(CONTINUED)
March 31, 2006

Tenant Files (continued)

Housing Choice Vouchers

Both tenant files did not have any documentation or indication showing that a criminal background check was done. At least one(1) of the files had the following items missing: privacy act notice, proper verifications of income and expenses, inspection report, application, copy of photo ID, copy of social security card, and proof of ownership by landlord.

The Housing Commission needs to concentrate on obtaining any missing documentation at the annual reexamination or interim reviews. Also, the Housing Commission should consider sending staff members to training in the next fiscal year.

CLINTON TOWNSHIP HOUSING COMMISSION ADJUSTING JOURNAL ENTRIES March 31, 2006

Account #	<u> Accou</u> nt Name	Debit	<u>Credit</u>
LOW RENT			
PROGRAM			

There were no audit adjusting journal entries.